

CITY OF TYBEE ISLAND, GEORGIA

FINANCIAL REPORT

**FOR THE SIX MONTHS ENDED
JUNE 30, 2008**

CITY OF TYBEE ISLAND, GEORGIA
FINANCIAL REPORT
FOR THE SIX MONTHS ENDED JUNE 30, 2008

TABLE OF CONTENTS

Page

FINANCIAL SECTION

Independent Auditor's Report	1 and 2
Management's Discussion and Analysis.....	3 - 11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual	17 and 18
Hotel/Motel Tax Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual	19
Statement of Net Assets – Proprietary Funds.....	20
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	21
Statement of Cash Flows – Proprietary Funds	22 and 23
Statement of Fiduciary Assets and Liabilities– Fiduciary Fund.....	24
Notes to Financial Statements	25 - 46
Required Supplementary Information:	
Schedule of Funding Progress.....	47
Individual Fund Schedules	
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds (1998 Resolution).....	48
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds (2003 Resolution).....	49

CITY OF TYBEE ISLAND, GEORGIA
FINANCIAL REPORT
FOR THE SIX MONTHS ENDED JUNE 30, 2008

TABLE OF CONTENTS

Page

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50 and 51
Schedule of Findings and Responses	52 – 58
Summary Schedule of Prior Year Findings	59 and 60
Independent Accountant's Report on Local Assistance Grants	61
State of Georgia Grant Certification Forms	62 and 63

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
Of City Council
City of Tybee Island
Tybee Island, Georgia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Tybee Island, Georgia** (the "City"), as of and for the six months ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tybee Island, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia, as of June 30, 2008, and the respective changes in financial position, and, cash flows where applicable, thereof and the respective budgetary comparison for the General Fund and the Hotel/Motel Tax Fund for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009, on our consideration of the City of Tybee Island, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 and the Schedule of Funding Progress on page 45 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tybee Island, Georgia's basic financial statements. The accompanying schedules of expenditures of special purpose local option sales tax proceeds are presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and are not a required part of the basic financial statements. The schedules of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Macon, Georgia
June 25, 2009



**THE CITY OF TYBEE ISLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The management of the City of Tybee Island, Georgia offers the readers of the City's Annual Audited Financial Statements this narrative overview and analysis of the financial activities of the City of Tybee Island for the six months ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the referenced financial statements and footnotes accompanying the financial statements.

Financial Highlights

- The City's assets exceeded its liabilities by \$18,277,035 (net assets) for the fiscal year reported, a decrease of \$1,145,258 or 5.9%.
- Total net assets are comprised of the following:
 - Capital assets of \$12,541,324 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - Net assets of \$2,019,624 restricted by constraints imposed from outside the City, such as debt covenants, grantors, laws and regulation.
 - Unrestricted net assets of \$3,480,961.
- Total unrestricted net assets decreased from \$4,038,213 to \$3,480,961 or 13.8%.
- In fiscal year 2008, General Fund unreserved and undesignated fund balance increased 16.1% from \$2,604,059 to \$3,024,415.
- The City's governmental funds reported total combined fund balances of \$5,600,662.
- Total revenues for the City decreased \$4,191,042 or 30.8% in 2008 from \$13,620,157 to \$9,429,115 due mostly to the City's change in year end.
- Total costs for City Programs decreased \$1,735,149 or 14.1% in 2008 from \$12,309,522 to \$10,574,373 again due mostly to the City's change in year end.

The above financial highlights are presented in more detail in the financial analysis section of this document.

Overview of the Financial Statements

This Management's Discussion and Analysis document is intended to serve as an introduction to the City of Tybee Island's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information and schedules in addition to the basic financial statements themselves.

Government-wide Financial Statements

The City's basic financial statements include two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status.

Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The *Statement of Activities*, reports how the City's net assets changed during the fiscal year. All yearly revenues and expenses are included regardless of when funds are collected or disbursed. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

Governmental activities – Most of the City's basic services are reported here, including the police, fire, community development, transportation, information services, environmental and general administration. Property taxes, sales taxes and franchise fees finance the majority of these activities.

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water system, environmental waste systems and participant recreation activities are reported here.

The government-wide financial statements are presented on pages 12 and 13 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has three kinds of funds:

- *Governmental funds* – The majority of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City maintains three major and one non-major governmental funds. The City's major governmental funds are: General, Hotel Motel Tax and SPLOST (Special Purpose Local Option Sales Tax). The City's non-major governmental fund is the Emergency 911 Fund.

- The general fund is the chief operating fund of the City.
- The Hotel Motel Tax Fund collects the six percent (6%) accommodations tax charged on short term rentals and administers payments to the Savannah Chamber of Commerce (33.3%) and the International Trade Center (16.7%). The balance of the funds are contributed to the General Fund (50%) and pay for City operations.
- The SPLOST fund accounts for the receipts and use of local government shared revenues (SPLOST proceeds) to be used for the acquisition of public safety equipment, construction or improvement of capital facilities, drainage projects and beach improvements. These funds are only to be used in capital projects.

The City of Tybee Island adopts annual budgets for its governmental funds. A budgetary comparison statement has been provided for the general and the hotel motel tax funds and demonstrate compliance with these budgets.

The basic governmental fund financial statements are presented on pages 14 to 19 of this report.

- *Proprietary funds* – The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information such as cash flows. These are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City maintains three enterprise funds: Water and Sewer, Solid Waste Collection, and the River's End RV Park and Campground Fund.

The proprietary fund financial statements are presented on pages 20 to 23 of this report.

- *Fiduciary funds* – The City has one fiduciary fund. These types of funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within other governments. When these assets are held under the terms of a formal trust agreement, a private purpose trust fund is used. The basic fiduciary fund financial statement is presented on page 24 of this report.

Notes to the Basic Financial Statements

The financial statements include notes that explain some of the information in the financial statements and provide information that is more detailed. The notes are essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Supplementary Financial Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules. Combining and individual statements and schedules for non-major funds presented as supplementary financial information of this report begin on page 47.

Compliance Section

The independent auditor's report on internal control over financial reporting begins on page 50.

Independent Accountant's Report on Local Assistance Grants

The State of Georgia Grant Certification Forms are included on pages 62 and 63.

Financial Analysis of the City as a Whole

Net assets serve over time as a useful indicator of a government's financial position. The City's net assets reflects its investment in capital assets. Capital assets are used to provide services. The City's net assets at June 30, 2008 are \$18,277,035. Our analysis below focuses on the net assets as compared to the prior year.

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 6,469,871	\$ 7,341,095	\$ 821,540	\$ 1,368,888	\$ 7,291,411	\$ 8,709,983
Capital Assets	5,947,640	5,759,313	19,370,134	18,726,044	25,317,774	24,485,357
Total assets	12,417,511	13,100,408	20,191,674	20,094,932	32,609,185	33,195,340
Liabilities						
Current liabilities	610,699	495,761	908,994	295,687	1,519,693	791,448
Long-term liabilities	260,365	146,051	12,552,092	12,757,810	12,812,457	12,903,861
Total liabilities	871,064	641,812	13,461,086	13,053,497	14,332,150	13,695,309
Net assets						
Invested in capital assets	5,947,640	5,759,313	6,828,810	5,977,904	12,776,450	11,737,217
Restricted	1,865,754	3,572,610	153,870	151,991	2,019,624	3,724,601
Unrestricted	3,733,053	3,126,673	(252,092)	911,540	3,480,961	4,038,213
Total net assets	\$ 11,546,447	\$ 12,458,596	\$ 6,730,588	\$ 7,041,435	\$ 18,277,035	\$ 19,500,031

Reviewing the net assets and net expenses of governmental and business-type activities separately, the governmental activities net assets were \$11,546,447 of which 51.5% or \$5,947,640 are invested in capital assets. These include property, buildings, parks, vehicles and equipment required by general government, public safety, public works, culture, recreation (other than River's End RV Park) and community development.

The business-type activities net assets were \$6,730,588 of which 101.5% or \$6,828,810 are invested in capital assets which include: property, infrastructure, plant in service, equipment and vehicles to provide services and generate revenue for these funds. Additional information regarding this year's activity in capital assets may be found in Note 6 on page 36.

The restricted net assets in the governmental activities, \$1,865,754 represent SPLOST funds that must be used only for capital outlays. The restricted net assets in the business-type activities, \$153,870, represents resources in the water sewer fund that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,480,961 may be used to meet the government's ongoing obligation to citizens and creditors.

At June 30, 2008, the total unrestricted funds balance is equal to three and one third months of the average maintenance and operation costs of the City. This is short of the goal of six months the City Council determined to be a minimum requirement for the City to recover from a major weather event or adverse economic climate.

The following table provides a summary of the City's activities for the six months ended June 30, 2008 compared with the year ended December 31, 2007:

Summary of Changes in Net Assets

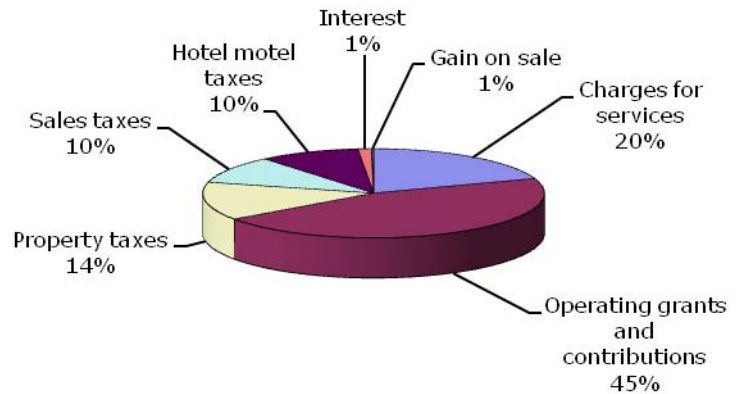
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 1,481,081	\$ 2,556,337	\$ 1,364,319	\$ 2,925,901	\$ 2,845,400	\$ 5,482,238
Operating grants and contributions	3,425,332	531,847	-	-	3,425,332	531,847
Capital grants and contributions	-	-	9,234	97,463	9,234	97,463
General revenues:						
Property taxes	1,043,952	2,105,820	-	-	1,043,952	2,105,820
Other taxes	1,981,512	5,122,080	-	-	1,981,512	5,122,080
Investment earnings	97,664	258,005	11,165	22,280	108,829	280,285
Gain on sale of capital assets	14,856	424	-	-	14,856	424
Total revenues	<u>8,044,397</u>	<u>10,574,513</u>	<u>1,384,718</u>	<u>3,045,644</u>	<u>9,429,115</u>	<u>13,620,157</u>
Expenses						
Governmental activities:						
General government	904,002	1,464,638	-	-	904,002	1,464,638
Judicial	3,768	5,021	-	-	3,768	5,021
Public safety and courts	1,051,309	2,104,347	-	-	1,051,309	2,104,347
Public works	732,825	1,313,858	-	-	732,825	1,313,858
Culture and recreation	4,147,098	2,987,061	-	-	4,147,098	2,987,061
Community development	1,927,107	1,063,290	-	-	1,927,107	1,063,290
Business-type activities:						
Water and sewer service	-	-	904,245	1,783,359	904,245	1,783,359
Solid waste collection	-	-	421,854	781,135	421,854	781,135
Campground	-	-	482,165	806,813	482,165	806,813
Total expenses	<u>8,766,109</u>	<u>8,938,215</u>	<u>1,808,264</u>	<u>3,371,307</u>	<u>10,574,373</u>	<u>12,309,522</u>
Transfers	(190,437)	(233,720)	190,437	233,720	-	-
Change in net assets	(912,149)	1,402,578	(233,109)	(91,943)	(1,145,258)	1,310,635
Beginning net assets	12,458,596	11,056,018	6,963,697	7,055,640	19,422,293	18,111,658
Ending net assets	<u>\$ 11,546,447</u>	<u>\$ 12,458,596</u>	<u>\$ 6,730,588</u>	<u>\$ 6,963,697</u>	<u>\$ 18,277,035</u>	<u>\$ 19,422,293</u>

The substantial drop on in property tax revenues from \$2,105,820 to \$1,043,952 is due to the six month collection period during FY2008 versus the twelve months of the year ended December 31, 2007.

Although charges for services dropped in total, from \$2,556,337 to \$1,481,081, the average monthly income rose from \$213,000 per month to \$246,847. This is due largely to increased parking rates and fines.

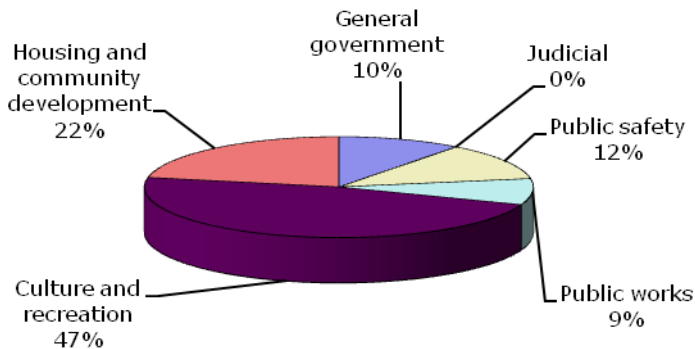
Charges for services in the business-type activities decreased \$1,561,582. This is due not only to the six month vs. twelve month reporting periods, but also to the fact that water usage, and therefore, revenues, are much higher in the last six months of the year as compared to the first six months that 2008 covers.

Revenues by Source - Governmental Activities



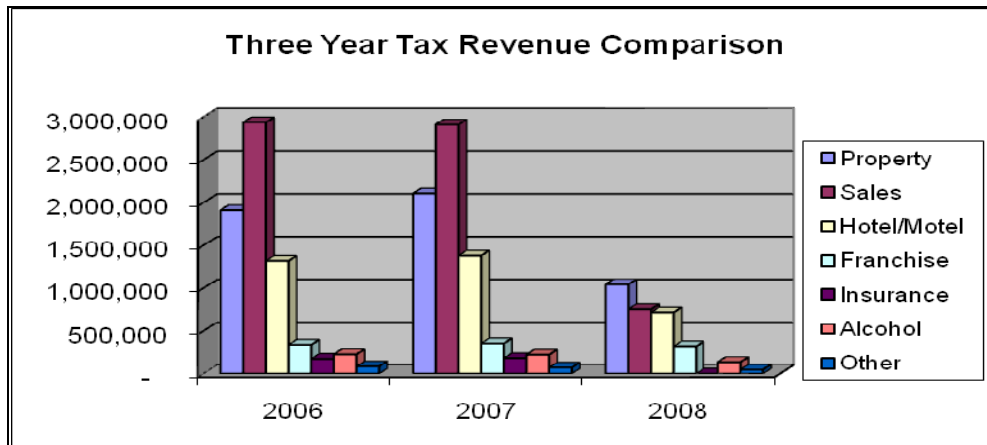
In 2008 Campground revenue totaled \$413,211, with expenses before debt service totaling \$301,489. In addition, the Campground incurred interest expense of \$180,676 for the six month fiscal year. The addition of camping cabins available for rent is expected to increase revenue in the coming year.

Expenditure by Function - Governmental Activities



The large increase in expenditures for culture and recreation during FY2008 was due primarily to the beach renourishment that occurred during the period. In addition, lifeguard staffing was increased, both in the salary scales and the number of employees staffing the beaches.

The number and price of short term rentals paying hotel/motel tax has steadily increased as indicated by the increased rate of Hotel/Motel tax collections.



Increases in expenses paralleled growth in the demand for services, with the most notable, recreation in large part due to the hotel motel tax payments to the Savannah Area Chamber and Commerce and International Trade Center and operation of the Youmans Solomon Complex.

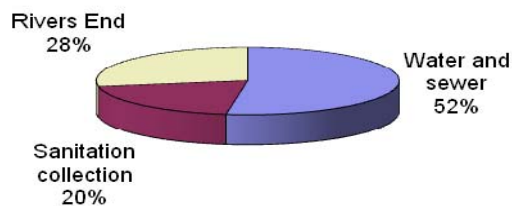
Enterprise Funds

The financial summary of the City's business-type activities for the six months ended June 30, 2008 are depicted below. The Water/Sewer Fund and the Solid Waste Fund incurred operating losses, with the Solid Waste Fund receiving subsidization from the General Fund. The Campground Fund had an operating profit, but a loss resulted after interest expense on their revenue bonds was included. Management is optimistic that the recent rate increases for Water and Sewer, a renegotiated contract for trash pick-up with a new vendor, and the addition of camping cabins at the Campground will result in increased income in the coming fiscal years.

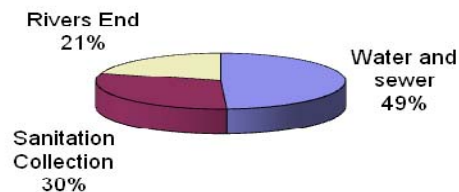
Business-Type Activities

	Water Sewer Fund		Solid Waste Fund		River's End RV Park		Totals	
	2008	2007	2008	2007	2008	2007	2008	2007
Operating revenues	\$ 671,633	\$ 1,693,863	\$ 279,475	\$ 468,648	\$ 413,211	\$ 763,390	\$ 1,364,319	\$ 2,925,901
Operating expenses	792,689	1,592,203	421,854	781,135	301,489	462,912	1,516,032	2,836,250
Operating income (loss)	(121,056)	101,660	(142,379)	(312,487)	111,722	300,478	(151,713)	89,651
Nonoperating income (expenses)	(100,391)	(168,876)	-	-	(180,676)	(343,901)	(281,067)	(512,777)
Transfers in	-	-	187,000	233,720	3,437	-	190,437	233,720
Capital contributions	9,234	97,463	-	-	-	-	9,234	97,463
Change in net assets	(212,213)	30,247	44,621	(78,767)	(65,517)	(43,423)	(233,109)	(91,943)
Beginning net assets	7,186,016	7,155,769	(87,732)	(8,965)	(134,587)	(91,164)	6,963,697	7,055,640
Ending net assets	\$ 6,973,803	\$ 7,186,016	\$ (43,111)	\$ (87,732)	\$ (200,104)	\$ (134,587)	\$ 6,730,588	\$ 6,963,697

Expenditures by Function - Business-type Activities



Revenues by Source - Business-type Activities



Capital Assets and Debt Administration

Capital assets increased, as follows:

- Purchased and installed emergency alert siren system to provide Island-wide notification of impending or potential emergencies, for the most part, weather-related. (\$154,000)
- Using SPLOST funds, purchased a fire truck for \$163,000.
- Replaced 2 Police vehicles, \$42,350
- Purchased and customized a Fire Department command vehicle, \$33,600.
- Continued construction on Highway 80 Sewer lines, \$218,091.
- Purchased and installed a automated water meter reading system, \$418,400

No new long-term debt was incurred by the City in 2008.

Note 7 on page 38 has additional information and detail explaining the City's long term debt commitments.

Economic Outlook

The U.S. Department of Labor, Bureau of Labor Statistics reports that employment in the Savannah MSA topped 200,975 in August, 2007. 7,139 new jobs were added from year-end 2005 to 2006, a 4.4% gain and unemployment in the area remains lower than the state average. The collections from Hotel Motel Tax by the City of Tybee Island increased by 4.5% in 2007 compared to the prior years' collections. The Savannah Chamber of Commerce estimates that employment will rise by 2.2% in 2008, slightly higher than the 2007 rate of increase. Although the tax digest showed a moderate increase in 2007, the continuing stagnant real estate market in the area will likely impact the City's 2008 tax revenues detrimentally.

Comprehensive Plan

The City has completed a comprehensive plan, also known as the Master Plan, which will have a large part in driving the capital improvement budgets for coming years. After public review and comment, the Plan was adopted in January, 2008.

Future Budget Highlights

The FY2009 Operating Budget and Capital Improvement Budgets were adopted on June 26, 2008.

Highlights include:

- Ft. Screven Water Line Project, \$1,302,250 using GEFA loan funding.
- Grit Separator and Odor Control equipment, \$650,000
- Protective bays for Fire Station, \$97,700

For more information, the 2008 Operating and Capital Budgets are available on the City's website on the Finance page under General Administration.

Requests for Information

This financial report is designed to provide a general overview for the governmental operations of the City of Tybee Island. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to:

The City of Tybee Island
Finance Department
PO Box 2749
Tybee Island, GA 31328

—————
www.cityoftybee.org
—————

Diane D. Schleicher
City Manager

Bonnie S. Kline, CPA
Director of Finance

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 2,876,693	\$ 484,508	\$ 3,361,201
Investments	1,508,249	387,448	1,895,697
Taxes receivable	823,521	-	823,521
Accounts receivable, net of allowances	36,177	379,824	416,001
Due from other governments	193,077	-	193,077
Internal balances	885,128	(885,128)	-
Prepaid expenses	147,026	69,683	216,709
Restricted assets, cash	-	153,870	153,870
Other assets	-	231,335	231,335
Capital assets:			
Nondepreciable	1,079,134	7,775,557	8,854,691
Depreciable, net of accumulated depreciation	4,868,506	11,594,577	16,463,083
Total assets	<u>12,417,511</u>	<u>20,191,674</u>	<u>32,609,185</u>
LIABILITIES			
Accounts payable	430,529	736,059	1,166,588
Accrued liabilities	180,170	172,935	353,105
Claims and judgments payable	103,486	-	103,486
Note payable due within one year	-	218,752	218,752
Note payable due in more than one year	-	4,267,572	4,267,572
Compensated absences due within one year	156,879	10,768	167,647
Bonds payable due within one year	-	370,000	370,000
Bonds payable due in more than one year	-	7,685,000	7,685,000
Total liabilities	<u>871,064</u>	<u>13,461,086</u>	<u>14,332,150</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,947,640	6,828,810	12,776,450
Restricted:			
Capital outlay	1,865,754	-	1,865,754
Debt service	-	153,870	153,870
Unrestricted	3,733,053	(252,092)	3,480,961
Total net assets	<u>\$ 11,546,447</u>	<u>\$ 6,730,588</u>	<u>\$ 18,277,035</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 904,002	\$ 351,219	\$ -	\$ -	\$ (552,783)	\$ -	\$ (552,783)
Judicial	3,768	-	-	-	(3,768)	-	(3,768)
Public safety	1,051,309	354,366	34,000	-	(662,943)	-	(662,943)
Public works	732,825	-	-	-	(732,825)	-	(732,825)
Culture and recreation	4,147,098	6,636	3,391,332	-	(749,130)	-	(749,130)
Housing and community development	1,927,107	768,860	-	-	(1,158,247)	-	(1,158,247)
Total governmental activities	<u>8,766,109</u>	<u>1,481,081</u>	<u>3,425,332</u>	<u>-</u>	<u>(3,859,696)</u>	<u>-</u>	<u>(3,859,696)</u>
Business-type activities:							
Water and sewer	904,245	671,633	-	9,234	-	(223,378)	(223,378)
Sanitation collection	421,854	279,475	-	-	-	(142,379)	(142,379)
Campground	482,165	413,211	-	-	-	(68,954)	(68,954)
Total business-type activities	<u>1,808,264</u>	<u>1,364,319</u>	<u>-</u>	<u>9,234</u>	<u>-</u>	<u>(434,711)</u>	<u>(434,711)</u>
Total primary government	<u>\$ 10,574,373</u>	<u>\$ 2,845,400</u>	<u>\$ 3,425,332</u>	<u>\$ 9,234</u>	<u>(3,859,696)</u>	<u>(434,711)</u>	<u>(4,294,407)</u>
General revenues:							
Property taxes					1,043,952	-	1,043,952
Sales taxes					756,465	-	756,465
Hotel / motel taxes					718,358	-	718,358
Franchise taxes					319,546	-	319,546
Other taxes					187,143	-	187,143
Unrestricted investment earnings					97,664	11,165	108,829
Gain on sale of capital assets					14,856	-	14,856
Transfers					(190,437)	190,437	-
Total general revenues and transfers					<u>2,947,547</u>	<u>201,602</u>	<u>3,149,149</u>
Change in net assets					(912,149)	(233,109)	(1,145,258)
Net assets, beginning of year, as restated					<u>12,458,596</u>	<u>6,963,697</u>	<u>19,422,293</u>
Net assets, end of year					<u>\$ 11,546,447</u>	<u>\$ 6,730,588</u>	<u>\$ 18,277,035</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TYBEE ISLAND, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

ASSETS	General Fund	Hotel/ Motel Tax Fund	SPLOST Fund	Nonmajor Emergency 911 Fund	Totals Governmental Funds
Cash and cash equivalents	\$ 936,329	\$ 77,306	\$ 1,860,917	\$ 2,141	\$ 2,876,693
Investments	1,508,249	-	-	-	1,508,249
Taxes receivable	557,703	265,818	-	-	823,521
Accounts receivable	36,177	-	-	-	36,177
Due from other governments	189,637	-	3,440	-	193,077
Due from other funds	452,291	-	3,873	-	456,164
Advances to other funds	570,158	-	-	-	570,158
Prepaid expenditures	146,573	-	-	453	147,026
Total assets	<u>\$ 4,397,117</u>	<u>\$ 343,124</u>	<u>\$ 1,868,230</u>	<u>\$ 2,594</u>	<u>\$ 6,611,065</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 215,859	\$ 210,192	\$ 2,476	\$ 2,002	\$ 430,529
Accrued liabilities	177,729	-	-	2,441	180,170
Deferred revenues	258,510	-	-	-	258,510
Due to other funds	3,873	132,932	-	4,389	141,194
Total liabilities	<u>655,971</u>	<u>343,124</u>	<u>2,476</u>	<u>8,832</u>	<u>1,010,403</u>
FUND BALANCES (DEFICIT)					
Fund balances (deficit):					
Reserved for:					
Prepaid assets	146,573	-	-	-	146,573
Advances to other funds	570,158	-	-	-	570,158
Unreserved:					
Designated, reported in:					
Capital project funds	-	-	1,865,754	-	1,865,754
Undesignated	3,024,415	-	-	(6,238)	3,018,177
Total fund balances	<u>3,741,146</u>	<u>-</u>	<u>1,865,754</u>	<u>(6,238)</u>	<u>5,600,662</u>
Total liabilities and fund balances	<u>\$ 4,397,117</u>	<u>\$ 343,124</u>	<u>\$ 1,868,230</u>	<u>\$ 2,594</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					5,947,640
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					258,510
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.					<u>(260,365)</u>
Net assets of governmental activities					<u>\$ 11,546,447</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Hotel/ Motel Tax Fund</u>	<u>SPLOST Fund</u>	<u>Nonmajor Emergency 911 Fund</u>	<u>Totals Governmental Funds</u>
Revenues					
Taxes	\$ 1,990,027	\$ 718,358	\$ 222,308	\$ -	\$ 2,930,693
Licenses and permits	145,918	-	-	-	145,918
Intergovernmental	3,424,000	-	-	-	3,424,000
Charges for services	920,963	-	-	35,249	956,212
Fines and forfeitures	272,176	-	-	-	272,176
Interest	52,893	-	44,771	-	97,664
Other revenues	106,775	1,332	-	-	108,107
Total revenues	<u>6,912,752</u>	<u>719,690</u>	<u>267,079</u>	<u>35,249</u>	<u>7,934,770</u>
Expenditures					
Current:					
General government	761,823	-	-	-	761,823
Judicial	3,768	-	-	-	3,768
Public safety	1,152,194	-	-	43,265	1,195,459
Public works	714,747	-	-	-	714,747
Culture and recreation	2,761,574	359,179	-	-	3,120,753
Housing and community development	1,086,495	-	-	-	1,086,495
Capital outlay	-	-	1,973,935	-	1,973,935
Total expenditures	<u>6,480,601</u>	<u>359,179</u>	<u>1,973,935</u>	<u>43,265</u>	<u>8,856,980</u>
Excess (deficiency) of revenues over (under) expenditures	<u>432,151</u>	<u>360,511</u>	<u>(1,706,856)</u>	<u>(8,016)</u>	<u>(922,210)</u>
Other financing sources (uses):					
Transfers in	360,511	-	-	6,888	367,399
Transfers out	(197,325)	(360,511)	-	-	(557,836)
Sale of capital assets	31,714	-	-	-	31,714
Total other financing sources (uses)	<u>194,900</u>	<u>(360,511)</u>	<u>-</u>	<u>6,888</u>	<u>(158,723)</u>
Net change in fund balances	627,051	-	(1,706,856)	(1,128)	(1,080,933)
Fund balances (deficit), beginning of year	<u>3,114,095</u>	<u>-</u>	<u>3,572,610</u>	<u>(5,110)</u>	<u>6,681,595</u>
Fund balances (deficit), end of year	<u>\$ 3,741,146</u>	<u>\$ -</u>	<u>\$ 1,865,754</u>	<u>\$ (6,238)</u>	<u>\$ 5,600,662</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TYBEE ISLAND, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds.	\$ (1,080,933)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	205,185
The net effect of the sale of fixed assets is to decrease net assets.	(16,858)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	94,771
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(103,486)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(10,828)</u>
	<u>\$ (912,149)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TYBEE ISLAND, GEORGIA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 2,512,600	\$ 807,883	\$ 949,181	\$ 141,298
Local option sales tax	1,200,000	530,549	534,157	3,608
Franchise taxes	368,000	344,494	319,546	(24,948)
Insurance premium tax	195,000	-	-	-
Alcoholic beverage excise tax	245,000	139,033	139,033	-
Real estate transfer tax	26,000	7,100	7,100	-
Occupational taxes	50,000	41,010	41,010	-
Total taxes	<u>4,596,600</u>	<u>1,870,069</u>	<u>1,990,027</u>	<u>119,958</u>
Licenses and permits:				
Regulatory fees	110,000	79,225	79,225	-
Building permits	85,000	33,959	33,959	-
Building inspections	30,000	14,446	14,446	-
Zoning variance requests fees	1,500	1,500	1,500	-
Other	33,600	14,817	16,788	1,971
Total licenses and permits	<u>260,100</u>	<u>143,947</u>	<u>145,918</u>	<u>1,971</u>
Intergovernmental	<u>160,000</u>	<u>3,974,000</u>	<u>3,424,000</u>	<u>(550,000)</u>
Charges for services:				
Parking fees	1,801,000	763,403	768,860	5,457
Other charges for services	258,100	152,103	152,103	-
Total charges for services	<u>2,059,100</u>	<u>915,506</u>	<u>920,963</u>	<u>5,457</u>
Fines and forfeitures:				
Municipal fines	645,000	272,176	272,176	-
Total fines and forfeitures	<u>645,000</u>	<u>272,176</u>	<u>272,176</u>	<u>-</u>
Interest income	<u>227,500</u>	<u>51,356</u>	<u>52,893</u>	<u>1,537</u>
Contributions	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous:				
Rents and royalties	227,400	101,251	101,251	-
Other	15,400	1,632	5,524	3,892
Total miscellaneous	<u>242,800</u>	<u>102,883</u>	<u>106,775</u>	<u>3,892</u>
Total revenues	<u>8,193,100</u>	<u>7,329,937</u>	<u>6,912,752</u>	<u>(417,185)</u>
Expenditures:				
Current:				
General government				
Governing body	99,364	56,066	52,630	3,436
Clerk of Council	105,182	48,833	52,991	(4,158)
Chief executive	167,139	77,257	81,434	(4,177)
Financial administration	448,163	200,207	201,733	(1,526)
Legal	96,000	73,127	73,127	-
Information technology	256,381	137,742	139,238	(1,496)
Human resources	100,778	39,069	40,955	(1,886)
Building and plant maintenance	342,784	121,369	119,715	1,654
Total general government	<u>1,615,791</u>	<u>753,670</u>	<u>761,823</u>	<u>(8,153)</u>

(Continued)

**CITY OF TYBEE ISLAND, GEORGIA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Current:				
Judicial				
Municipal Court	\$ 16,500	\$ 3,768	\$ 3,768	\$ -
Total judicial	<u>16,500</u>	<u>3,768</u>	<u>3,768</u>	<u>-</u>
Public safety				
Police administration	1,730,956	885,108	911,632	(26,524)
Beach patrol	139,046	52,466	52,838	(372)
Fire administration	297,810	142,179	142,397	(218)
Emergency management	127,796	44,597	45,327	(730)
Total public safety	<u>2,295,608</u>	<u>1,124,350</u>	<u>1,152,194</u>	<u>(27,844)</u>
Public works				
General operations	1,440,381	699,195	707,757	(8,562)
Solid waste collection	160,000	6,990	6,990	-
Total public works	<u>1,600,381</u>	<u>706,185</u>	<u>714,747</u>	<u>(8,562)</u>
Culture and recreation				
General operations	178,527	99,482	98,079	1,403
Recreation centers	205,000	77,000	77,000	-
Beach, lifeguards, dunes	731,851	2,400,112	2,399,770	342
Museums	68,500	69,996	69,996	-
Parks administration	151,184	103,222	116,729	(13,507)
Total culture and recreation	<u>1,335,062</u>	<u>2,749,812</u>	<u>2,761,574</u>	<u>(11,762)</u>
Housing and development				
Zoning and inspection	1,068,000	859,229	861,798	(2,569)
Parking	520,788	220,835	224,697	(3,862)
Total housing and development	<u>1,588,788</u>	<u>1,080,064</u>	<u>1,086,495</u>	<u>(6,431)</u>
Total expenditures	<u>8,452,130</u>	<u>6,417,849</u>	<u>6,480,601</u>	<u>(62,752)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(259,030)</u>	<u>912,088</u>	<u>432,151</u>	<u>(479,937)</u>
Other financing sources (uses):				
Sale of capital assets	50,000	31,714	31,714	-
Transfers in	703,000	360,511	360,511	-
Transfers out	(493,970)	(1,304,313)	(197,325)	1,106,988
Total other financing sources (uses)	<u>259,030</u>	<u>(912,088)</u>	<u>194,900</u>	<u>1,106,988</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>627,051</u>	<u>627,051</u>
Fund balances, beginning of year	<u>3,114,095</u>	<u>3,114,095</u>	<u>3,114,095</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,114,095</u>	<u>\$ 3,114,095</u>	<u>\$ 3,741,146</u>	<u>\$ 627,051</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TYBEE ISLAND, GEORGIA
HOTEL/MOTEL TAX FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 714,690	\$ 718,358	\$ 3,668
Other revenues	5,000	1,332	(3,668)
Total revenues	<u>719,690</u>	<u>719,690</u>	<u>-</u>
Expenditures:			
Current:			
Culture and recreation	<u>359,179</u>	<u>359,179</u>	<u>-</u>
Total expenditures	<u>359,179</u>	<u>359,179</u>	<u>-</u>
Excess of revenues over expenditures	<u>360,511</u>	<u>360,511</u>	<u>-</u>
Other financing (uses):			
Transfers out	<u>(360,511)</u>	<u>(360,511)</u>	<u>-</u>
Total other financing (uses)	<u>(360,511)</u>	<u>(360,511)</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	Totals
ASSETS				
Current assets				
Cash and cash equivalents	\$ 482,989	\$ 819	\$ 700	\$ 484,508
Investments	387,448	-	-	387,448
Restricted cash and cash equivalents	153,870	-	-	153,870
Accounts receivable, net of allowances	261,473	118,351	-	379,824
Prepaid expenses	63,289	-	6,394	69,683
Total current assets	<u>1,349,069</u>	<u>119,170</u>	<u>7,094</u>	<u>1,475,333</u>
Noncurrent assets				
Other assets	109,357	-	121,978	231,335
Capital assets:				
Nondepreciable	736,001	-	7,039,556	7,775,557
Depreciable, net of accumulated depreciation	11,362,892	-	231,685	11,594,577
Total noncurrent assets	<u>12,208,250</u>	<u>-</u>	<u>7,393,219</u>	<u>19,601,469</u>
Total assets	<u>13,557,319</u>	<u>119,170</u>	<u>7,400,313</u>	<u>21,076,802</u>
LIABILITIES				
Current liabilities				
Accounts payable	617,952	70,559	47,548	736,059
Accrued liabilities	24,293	-	148,642	172,935
Compensated absences	4,977	-	5,791	10,768
Due to other funds	314,970	-	-	314,970
Notes payable, current	218,752	-	-	218,752
Bonds payable, current	140,000	-	230,000	370,000
Total current liabilities	<u>1,320,944</u>	<u>70,559</u>	<u>431,981</u>	<u>1,823,484</u>
Noncurrent liabilities				
Advance from other fund	-	91,722	478,436	570,158
Notes payable, net of current portion	4,267,572	-	-	4,267,572
Bonds payable, net of current portion	995,000	-	6,690,000	7,685,000
Total noncurrent liabilities	<u>5,262,572</u>	<u>91,722</u>	<u>7,168,436</u>	<u>12,522,730</u>
Total liabilities	<u>6,583,516</u>	<u>162,281</u>	<u>7,600,417</u>	<u>14,346,214</u>
NET ASSETS				
Invested in capital assets, net of related debt	6,477,569	-	351,241	6,828,810
Restricted for debt service	153,870	-	-	153,870
Unrestricted	342,364	(43,111)	(551,345)	(252,092)
Total net assets	<u>\$ 6,973,803</u>	<u>\$ (43,111)</u>	<u>\$ (200,104)</u>	<u>\$ 6,730,588</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	Totals
OPERATING REVENUES				
Charges for services:				
Water charges	\$ 296,081	\$ -	\$ -	\$ 296,081
Sewer charges	321,413	-	-	321,413
Tapping fees	3,806	-	-	3,806
Other	50,333	-	-	50,333
Sanitation collection revenue	-	279,475	-	279,475
Camping rental fees	-	-	413,211	413,211
Total operating revenues	<u>671,633</u>	<u>279,475</u>	<u>413,211</u>	<u>1,364,319</u>
OPERATING EXPENSES				
Personnel services	174,888	-	124,532	299,420
Administrative	115,873	-	9,415	125,288
Utilities	80,985	-	46,164	127,149
Supplies	52,359	-	28,042	80,401
Repairs and maintenance	88,428	-	22,907	111,335
Sanitation services	-	421,854	-	421,854
Miscellaneous	76,016	-	63,499	139,515
Depreciation	204,140	-	6,930	211,070
Total operating expenses	<u>792,689</u>	<u>421,854</u>	<u>301,489</u>	<u>1,516,032</u>
Operating income (loss)	<u>(121,056)</u>	<u>(142,379)</u>	<u>111,722</u>	<u>(151,713)</u>
NONOPERATING INCOME (EXPENSES)				
Interest expense	(111,556)	-	(180,676)	(292,232)
Interest income	11,165	-	-	11,165
Total nonoperating income (expenses)	<u>(100,391)</u>	<u>-</u>	<u>(180,676)</u>	<u>(281,067)</u>
Loss before contributions and transfers	(221,447)	(142,379)	(68,954)	(432,780)
TRANSFERS				
Transfers in	-	187,000	3,437	190,437
Total transfers	<u>-</u>	<u>187,000</u>	<u>3,437</u>	<u>190,437</u>
CAPITAL CONTRIBUTIONS	9,234	-	-	9,234
Change in net assets	(212,213)	44,621	(65,517)	(233,109)
NET ASSETS (DEFICIT), beginning of year	<u>7,237,602</u>	<u>(61,580)</u>	<u>(134,587)</u>	<u>7,041,435</u>
PRIOR PERIOD ADJUSTMENT	<u>(51,586)</u>	<u>(26,152)</u>	<u>-</u>	<u>(77,738)</u>
NET ASSETS (DEFICIT), beginning of year, as restated	<u>7,186,016</u>	<u>(87,732)</u>	<u>(134,587)</u>	<u>6,963,697</u>
NET ASSETS (DEFICIT), end of year	<u>\$ 6,973,803</u>	<u>\$ (43,111)</u>	<u>\$ (200,104)</u>	<u>\$ 6,730,588</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE SIX MONTHS ENDED JUNE 30, 2008**

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Solid Waste Collection Fund	Rivers End RV Park Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 752,189	\$ 244,385	\$ 413,211	\$ 1,409,785
Payments to suppliers	(108,390)	(416,183)	(128,246)	(652,819)
Payments to employees	(174,537)	-	(120,301)	(294,838)
Net cash provided by (used in) operating activities	<u>469,262</u>	<u>(171,798)</u>	<u>164,664</u>	<u>462,128</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances from other funds	-	(24,003)	128,436	104,433
Transfers in	-	187,000	3,437	190,437
Net cash provided by noncapital financing activities	<u>-</u>	<u>162,997</u>	<u>131,873</u>	<u>294,870</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(149,263)	-	(188,356)	(337,619)
Capital contributions	9,234	-	-	9,234
Principal paid on bonds	(100,000)	-	-	(100,000)
Principal paid on notes payable	(106,816)	-	-	(106,816)
Interest paid	(101,444)	-	(176,483)	(277,927)
Net cash used in capital and related financing activities	<u>(448,289)</u>	<u>-</u>	<u>(364,839)</u>	<u>(813,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(8,645)	-	-	(8,645)
Interest earned on operating cash	11,165	-	-	11,165
Net cash provided by investing activities	<u>2,520</u>	<u>-</u>	<u>-</u>	<u>2,520</u>
Net change in cash and cash equivalents	23,493	(8,801)	(68,302)	(53,610)
Cash and cash equivalents, beginning of year	<u>613,366</u>	<u>9,620</u>	<u>69,002</u>	<u>691,988</u>
Cash and cash equivalents, end of year	<u>\$ 636,859</u>	<u>\$ 819</u>	<u>\$ 700</u>	<u>\$ 638,378</u>
Classified as:				
Cash and cash equivalents	\$ 482,989	\$ 819	\$ 700	\$ 484,508
Restricted assets: cash	153,870	-	-	153,870
	<u>\$ 636,859</u>	<u>\$ 819</u>	<u>\$ 700</u>	<u>\$ 638,378</u>

(Continued)

CITY OF TYBEE ISLAND, GEORGIA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE SIX MONTHS ENDED JUNE 30, 2008**

	Business-type Activities - Enterprise Funds			
	<u>Water and Sewer Fund</u>	<u>Solid Waste Collection Fund</u>	<u>Rivers End RV Park Fund</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (121,056)	\$ (142,379)	\$ 111,722	\$ (151,713)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	204,140	-	6,930	211,070
Change in assets and liabilities:				
(Increase) decrease:				
Accounts receivable	80,556	(35,090)	-	45,466
Prepaid expenses	(50,906)	-	(4,424)	(55,330)
Increase (decrease):				
Accounts payable	41,207	5,671	46,205	93,083
Accrued expenses	351	-	4,231	4,582
Due to other funds	314,970	-	-	314,970
Net cash provided by (used in) operating activities	<u>\$ 469,262</u>	<u>\$ (171,798)</u>	<u>\$ 164,664</u>	<u>\$ 462,128</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TYBEE ISLAND, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2008

	<u>Agency Fund Municipal Court</u>
ASSETS	
Cash	\$ 64,846
Total assets	<u>\$ 64,846</u>
 LIABILITIES	
Due to others	\$ 64,846
Total liabilities	<u>\$ 64,846</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TYBEE ISLAND, GEORGIA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Tybee Island, Georgia (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Auditing Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

A. Reporting Entity

The City of Tybee Island was incorporated October 15, 1887. The City operates under the Council – administrator form of government and provides the following services to its citizens as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture and recreation, planning and zoning, and general and administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include the accounts of all City operations and all activities of the City.

Based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14 “The Financial Reporting Entity”, the City was determined to have no component units as of June 30, 2008.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. (For the most part, the effect of interfund activity has been removed from these statements). Government-wide financial statements do not provide information by fund or account group, but distinguish between the City’s governmental activities and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net assets will include noncurrent assets which were previously reported in the General Fixed Assets Account Group and noncurrent liabilities previously reported in the General Long-Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expense on the City’s capital assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", the corresponding assets (receivables) in nonexchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activity.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Hotel/Motel Tax Fund** accounts for the Hotel/Motel accommodation excise tax receipts and distributions to tourism promoting organizations as required by agreements with these organizations.

The **SPLOST Fund** accounts for the proceeds of a one percent Special Purpose Local Option Sales Tax. Funds are used for: road improvements; public safety projects; recreation projects; water and sewer projects; and public building projects.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The **Solid Waste Collection Fund** accounts for the provision of sanitation collection services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The **Rivers End RV Park Fund** accounts for the revenues and operating costs of the City's Rivers End RV Park. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund types:

The **special revenue funds** account for revenue sources that are legally restricted to expenditure for specific purposes.

The **agency fund** is used to account for the collection and disbursement of monies by the City's Municipal Court on behalf of other governments and individuals.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, the Hotel/Motel Tax Fund, and the Emergency 911 Fund. All appropriations lapse at the end of the June 30 fiscal year. Revenues and expenditures of the Capital Projects Fund are budgeted on a project length basis and are, therefore, excluded from presentation in the financial statements.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Tybee Island because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits and Investments

For purposes of the statements of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the City to invest in obligations of the U.S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers' acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). Georgia Fund 1 was created under OCGA 36-83-8 and operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like Pool. The Pool is not registered with the SEC as an investment company. The Pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The Pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The fair value of the City's position in the Pool is the same as the value of Pool shares (\$1 per share value). The regulatory oversight agency for Georgia Fund 1 is the Office of Treasury and Fiscal Services of the State of Georgia.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items in both the government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose not to include all such items regardless of their acquisition date, but rather only those infrastructure assets acquired subsequent to the adoption of GASB No. 34 as allowed by the GASB. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	10-40
Machinery & equipment	5-20
Utility plant	20-50

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable discount or premium. Issuance costs are reported as deferred charges.

Proprietary fund type notes payable are reported as liabilities at their outstanding value.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of assets and liabilities during the reporting period. Actual results could differ from those estimates.

M. Change in Fiscal Year End

In the prior year, the City operated on a calendar year, from January 1 through December 31. The City Council elected to change the City's fiscal year to June 30 in the current year. These statements therefore, present operations only for the six months January 1, 2008 through June 30, 2008.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets

The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “certain liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$260,365 difference are as follows:

Compensated absences	\$	156,879
Claims and judgements payable		<u>103,486</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$	<u><u>260,365</u></u>

B. Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$205,185 difference are as follows:

Capital outlay	\$	488,440
Depreciation expense		<u>(283,255)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$	<u><u>205,185</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS

The City of Tybee Island, Georgia follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the various departments submit to the governing council a proposed operating budget for the fiscal year commencing the following July 1st.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments.
3. Prior to the beginning of the year, the budget is formally enacted through passage of a resolution by the City Council.
4. Formal budgetary integration is employed as a management control device during the year for the general fund and the special revenue funds. Project length budgets are adopted for the capital projects fund.
5. The budget for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The governing council must approve all revisions. Expenditures should not exceed the legally adopted budget at the department level without Council action amending the budget. All appropriations lapse at the end of each fiscal year.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations.

7. The following General Fund departments had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2008.

Clerk of Council	\$	4,158
Chief executive		4,177
Financial administration		1,526
Information technology		1,496
Human resources		1,886
Police administration		26,524
Beach patrol		372
Fire administration		218
Emergency management		730
Public works - General operations		8,562
Parks administration		13,507
Zoning and inspection		2,569
Parking		3,862

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2008, are summarized as follows:

As reported in the Statement of Net Assets:	
Primary government:	
Cash and cash equivalents	\$ 3,361,201
Investments	1,895,697
Restricted assets, cash	153,870
Agency Fund - Cash	64,846
	\$ 5,475,614
Cash deposited with financial institutions	\$ 3,967,365
Cash deposited with Georgia Fund 1	1,508,249
	\$ 5,475,614

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2008, the City's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

At June 30, 2008, the City had the following investments:

Investments	Maturities	Fair Value
Georgia Fund 1	40 day weighted average	\$ 1,508,249
Certificates of Deposit	4 year weighted average	387,448
		\$ 1,895,697

Interest rate risk. As a means of limiting its exposure to fair value losses arising from fluctuating interest rates, the City's investment policy has been established to structure the investment portfolio so that securities mature to meet the City's cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity as well as investing operating funds primarily in short-term securities, money market funds, certificates of deposit or similar investment pools.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2008, the City did not have any balances exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTE 5. RECEIVABLES

Property taxes were levied on August 1, 2007, against a taxable digest established as of January 1, 2007. Property taxes were due on December 20, 2007, and were considered delinquent the following day (December 21, 2007) – which would also be the lien date. Additionally, one half of the 2008 property taxes were levied in May 2008. Receivables are recorded when taxes are levied and billed.

The net receivables collected during the year ended June 30, 2008, and expected to be collected by August 31, 2008, are recognized as revenues in the year ended June 30, 2008. Net receivables estimated to be collectible subsequent to August 31, 2008, are recorded as revenue when received.

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Hotel/ Motel</u>	<u>SPLOST</u>	<u>Water and Sewer</u>	<u>Solid Waste Collection</u>	<u>Total</u>
Receivables:						
Taxes	\$ 769,772	\$ 265,818	\$ -	\$ -	\$ -	\$ 1,035,590
Accounts	45,106	-	-	271,599	123,898	440,603
Intergovernmental	189,637	-	3,440	-	-	193,077
Gross receivables	<u>1,004,515</u>	<u>265,818</u>	<u>3,440</u>	<u>271,599</u>	<u>123,898</u>	<u>1,669,270</u>
Less: allowance for uncollectibles	<u>(220,998)</u>	<u>-</u>	<u>-</u>	<u>(10,126)</u>	<u>(5,547)</u>	<u>(236,671)</u>
Net total receivables	<u><u>\$ 783,517</u></u>	<u><u>\$ 265,818</u></u>	<u><u>\$ 3,440</u></u>	<u><u>\$ 261,473</u></u>	<u><u>\$ 118,351</u></u>	<u><u>\$ 1,432,599</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the six months ended June 30, 2008 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,008,069	\$ -	\$ -	\$ 1,008,069
Construction in progress	71,065	-	-	71,065
Total	<u>1,079,134</u>	<u>-</u>	<u>-</u>	<u>1,079,134</u>
Capital assets, being depreciated:				
Land improvements	243,100		-	243,100
Buildings	3,776,230	33,437	-	3,809,667
Machinery and equipment	3,674,553	455,003	(133,793)	3,995,763
Total	<u>7,693,883</u>	<u>488,440</u>	<u>(133,793)</u>	<u>8,048,530</u>
Less accumulated depreciation for:				
Land improvements	(180,951)	(2,005)	-	(182,956)
Buildings	(1,300,522)	(75,269)	-	(1,375,791)
Machinery and equipment	(1,532,231)	(205,981)	116,935	(1,621,277)
Total	<u>(3,013,704)</u>	<u>(283,255)</u>	<u>116,935</u>	<u>(3,180,024)</u>
Total capital assets, being depreciated, net	<u>4,680,179</u>	<u>205,185</u>	<u>(16,858)</u>	<u>4,868,506</u>
Governmental activities capital assets, net	<u>\$ 5,759,313</u>	<u>\$ 205,185</u>	<u>\$ (16,858)</u>	<u>\$ 5,947,640</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,973,632	\$ -	\$ -	\$ 6,973,632
Construction in progress	96,277	705,648	-	801,925
Total	<u>7,069,909</u>	<u>705,648</u>	<u>-</u>	<u>7,775,557</u>
Capital assets, being depreciated:				
Machinery and equipment	517,483	118,908	(9,150)	627,241
Utility plant	13,482,227	11,804	-	13,494,031
Buildings	196,326	18,800	-	215,126
Total	<u>14,196,036</u>	<u>149,512</u>	<u>(9,150)</u>	<u>14,336,398</u>
Less accumulated depreciation for:				
Machinery and equipment	(347,897)	(28,891)	9,150	(367,638)
Utility plant	(2,185,409)	(178,907)	-	(2,364,316)
Buildings	(6,595)	(3,272)	-	(9,867)
Total	<u>(2,539,901)</u>	<u>(211,070)</u>	<u>9,150</u>	<u>(2,741,821)</u>
Total capital assets, being depreciated, net	<u>11,656,135</u>	<u>(61,558)</u>	<u>-</u>	<u>11,594,577</u>
Business-type activities capital assets, net	<u>\$ 18,726,044</u>	<u>\$ 644,090</u>	<u>\$ -</u>	<u>\$ 19,370,134</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 34,327
Public safety	81,720
Public works	20,906
Culture and recreation	59,782
Housing and community development	86,520
Total depreciation expense - governmental activities	<u>\$ 283,255</u>
Business-type activities:	
Water and sewer	\$ 204,140
Rivers End RV Park	6,930
Total depreciation expense - business-type activities	<u>\$ 211,070</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Revenue Bonds:

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The City's Water and Sewer Fund revenue bonds and the Chatham County Recreation Authority revenue bonds outstanding at June 30, 2008 are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
Water and Sewer, Series 2005	\$ 1,450,000	3.72%	2016	\$ 1,135,000
Rivers End RV Park, Series 2006	7,130,000	4.85%	2026	<u>6,920,000</u>
				8,055,000
		Less current portion		<u>(370,000)</u>
				<u>\$ 7,685,000</u>

Water and Sewer Revenue Refunding and Improvement Bonds, Series 2005

The City of Tybee Island Water and Sewer Revenue Refunding Bonds, Series 2005 were issued May 18, 2005. The Series 2005 bonds were issued to 1) provide funds to refund all of the City's outstanding water and sewer revenue bonds, 2) fully fund a debt service reserve for payment of the Series 2005 Bond, and 3) pay the necessary costs of issuing the bonds and providing for such refunding. These bonds are secured by and payable from net revenues of the City's water and sewer system.

There are a number of limitations and restrictions contained in the various bond indentures. The City was not in compliance with the requirement to provide net revenues which are at least 1.15 times the amount required to be paid into the debt service account in the then current sinking fund year.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds: (Continued)

Chatham County Recreation Authority Revenue Bonds (City of Tybee Island – Campground Project), Series 2006

The City of Tybee Island entered into an intergovernmental lease agreement with the Chatham County Recreation Authority to issue the Chatham County Recreation Authority Revenue Bonds (City of Tybee Island – Campground Project), Series 2006. The Series 2006 bonds were issued on June 28, 2006 to 1) provide funds needed to pay the cost of acquiring a campground and 2) pay the necessary costs of issuing the bonds. These bonds are secured by and payable from revenues to be received by the Authority from the City pursuant to the Lease.

Revenue bond debt service requirements to maturities, including interest, are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 741,521	\$ 370,000	\$ 371,521
2010	725,659	370,000	355,659
2011	723,819	385,000	338,819
2012	721,373	400,000	321,373
2013	728,135	425,000	303,135
2014 - 2018	3,277,317	2,060,000	1,217,317
2019 - 2023	2,773,990	2,030,000	743,990
2024 - 2027	2,216,154	2,015,000	201,154
	<u>\$ 11,907,968</u>	<u>\$ 8,055,000</u>	<u>\$ 3,852,968</u>

Other Long-Term Debt:

The Water and Sewer Fund has incurred debt to the Georgia Environmental Facilities Authority for water and sewer system improvements. These notes are as follows at June 30, 2008.

<u>Description/ Purpose</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
2000 SRF - Wastewater treatment plant upgrade	\$ 2,991,414	3.00%	2023	\$ 2,418,017
GEFA Construction - Water line extensions	\$ 2,188,652	3.18%	2026	2,068,307
				<u>4,486,324</u>
			Less current portion	(218,752)
				<u>\$ 4,267,572</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Other Long-Term Debt (Continued)

The Water and Sewer Fund's other long-term debt service requirements to maturity, including interest of are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 353,895	\$ 218,752	\$ 135,143
2010	353,894	225,443	128,451
2011	353,895	232,460	121,435
2012	353,894	239,602	114,292
2013	353,895	247,242	106,653
2014 - 2018	1,769,472	1,356,070	413,402
2019 - 2023	1,666,456	1,477,038	189,418
2024 - 2027	518,127	489,717	28,410
	<u>\$ 5,723,528</u>	<u>\$ 4,486,324</u>	<u>\$ 1,237,204</u>

Changes in Long-Term Liabilities:

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Claims and judgements payable \$	-	\$ 103,486	\$ -	\$ 103,486	\$ 103,486
Compensated absences	146,051	78,090	(67,262)	156,879	156,879
Governmental activity					
Long-term liabilities	<u>\$ 146,051</u>	<u>\$ 181,576</u>	<u>\$ (67,262)</u>	<u>\$ 260,365</u>	<u>\$ 260,365</u>
Business-type activities:					
Revenue bonds	\$ 8,155,000	\$ -	\$ (100,000)	\$ 8,055,000	\$ 370,000
Notes payable	4,593,140	-	(106,816)	4,486,324	218,752
Compensated absences	9,670	7,658	(6,560)	10,768	10,768
Business-type activity					
Long-term liabilities	<u>\$ 12,757,810</u>	<u>\$ 7,658</u>	<u>\$ (213,376)</u>	<u>\$ 12,552,092</u>	<u>\$ 599,520</u>

For the governmental activities, compensated absences and claims and judgments are generally liquidated by the General Fund. For the business-type activities, compensated absences are generally liquidated by the Water and Sewer Fund and the Rivers End RV Park Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Tybee Island Retirement Plan (the "Plan"), provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The City of Tybee Island Retirement Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. GMEBS handles all administrative and investment functions related to the plan. All full-time City employees are eligible to participate in the plan. Benefits vest after five years of service. Members may retire upon reaching the age of 65, with five years of service. Early retirement is possible upon reaching the age of 55, with 10 years of service. Benefits are calculated at 1.25% to 2.00% of the average monthly earnings for the period of the five highest years prior to the retirement, payable monthly for life. Regulations of the State of Georgia assign the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities; for the City of Tybee Island Retirement Plan, the authority rests with the City Council of Tybee Island.

The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for the City of Tybee Island Retirement Plan. That report may be obtained by writing to GMEBS, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy

The City's policy is to contribute the actuarially determined amount as recommended by GMEBS. The City makes all contributions to the City of Tybee Island Retirement Plan. The City is required to contribute at an actuarially determined rate; the current rate is 14.41% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the GMEBS Board of Trustees.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (CONTINUED)

Annual Pension Cost

For the six months ended June 30, 2008, the City's annual pension cost was \$143,095 for the Plan. Recommended contributions of \$340,173 and \$283,377 were determined as part of the May 1, 2008 and May 1, 2007 actuarial valuations, respectively, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases for inflation of 5.0% per year and for merit or seniority of 0.5% per year, (c) 3% postretirement benefit increases, and (d) no cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1988 and current changes in the unfunded actuarial liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for the plan year. The method for determining the actuarial value of assets is part of the GMEBS actuarial funding policy. This method produces an adjusted actuarial value of assets. A smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 8%, which is the valuation's investment return assumption.

Trend Information

Trend information, which gives indication of the progress made in accumulating sufficient assets to pay benefits when due, is presented below.

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
05/01/03	\$ 272,331	100 %	\$ -
05/01/04	283,138	100	-
05/01/05	274,184	100	-
05/01/06	283,377	100	-
05/01/07	340,173	100	-

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (CONTINUED)

As of the most recent valuation date, May 1, 2008, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Actuarial Accrued Liability as a Percentage of Covered Payroll
05/01/08	\$ 3,536,139	\$ 4,627,567	\$ 1,091,428	76.4 %	\$ 2,411,627	45.3 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of May 1, 2008.

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three (3) years have not exceeded insurance coverage.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the nine county coastal Georgia region, is a member of the Coastal Georgia Regional Development Commission (RDC) and is required to pay annual dues thereto. During the six months ended June 30, 2008, the City paid \$1,632 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from the Coastal Georgia Regional Development Center, 127 "F" Street, Brunswick, Georgia 31520.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Contractual Commitments:

At June 30, 2008, the City had no material contractual commitments on uncompleted contracts.

Litigation:

The City is involved in several pending lawsuits. The nature of the lawsuits varies considerably. The amount of \$103,486 is recorded as claims and judgments payable on the government-wide statement of net assets. This amount has been settled, but not yet paid by the City as of June 30, 2008. The City will continue to assert its position in a defense against these claims.

Grant Contingencies:

The City has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTE 12. HOTEL/MOTEL LODGING TAX

The City has levied a 6% lodging tax. For the six months ended June 30, 2008, \$718,358 of hotel/motel tax was collected. Of the total collected, 50% was used for the promotion of tourism within the City (\$239,453 to the Savannah Chamber of Commerce and \$119,726 to the Georgia International Convention Center).

NOTES TO FINANCIAL STATEMENTS

NOTE 13. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances (including advances) as of June 30, 2008 are as follows:

<u>Due To</u>	<u>Due From</u>					<u>Total</u>	
	<u>General</u>	<u>Solid Waste</u>	<u>Water and Sewer</u>	<u>Rivers End RV Park</u>	<u>Hotel/Motel Tax</u>		<u>Nonmajor Governmental</u>
General Fund	\$ -	\$ -	\$ 314,970	\$ -	\$ 132,932	\$ 4,389	\$ 452,291
General Fund - Advances	-	91,722	-	478,436	-	-	570,158
SPLOST	3,873	-	-	-	-	-	3,873
Total	<u>\$ 3,873</u>	<u>\$ 91,722</u>	<u>\$ 314,970</u>	<u>\$ 478,436</u>	<u>\$ 132,932</u>	<u>\$ 4,389</u>	<u>\$ 1,026,322</u>

Interfund receivables and payables result from timing differences related to payroll and other year end transactions which normally clear within one to two months. Advances to/from other funds represent amounts not expected to be repaid within one year from the date of the financial statements.

Interfund transfers for the six months ended June 30, 2008 consisted of the following:

<u>Transfer From</u>	<u>Transfer To</u>				<u>Total</u>
	<u>General</u>	<u>Solid Waste</u>	<u>Rivers End RV Park</u>	<u>E-911</u>	
General	\$ -	\$ 187,000	\$ 3,437	\$ 6,888	\$ 197,325
Hotel/Motel Tax	360,511	-	-	-	360,511
	<u>\$ 360,511</u>	<u>\$ 187,000</u>	<u>\$ 3,437</u>	<u>\$ 6,888</u>	<u>\$ 557,836</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them and (2) use unrestricted revenues collected in the Hotel/Motel Tax Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 14. DEFICIT FUND BALANCE

The following funds reported deficits in fund balances/net assets at June 30, 2008:

Emergency 911 Fund	\$ 6,238
Solid Waste Fund	43,111
Rivers End RV Park Fund	200,104

The fund deficits above will be reduced through increased user charges and General Fund appropriations.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The City provides health insurance for retirees that participate in the voluntary early retirement program until age 65. Employees become eligible to participate in the voluntary early retirement program if they were fulltime employees whose combined age and years of total credited service equaled 75 as of August 1, 2004, as established by Section 2-4-51 of the City of Tybee Island Retirement Plan. The annual cost related to these participants is included in the negotiations with the City's health insurance provider. For the six months ended June 30, 2008, the City had three participants and recognized expenditures of \$5,715.

NOTE 16. PRIOR PERIOD ADJUSTMENTS/RESTATEMENTS

The City has determined that a restatement of beginning business-type activities net assets is required to reflect corrections for errors in the December 31, 2007 financial report. These restatements are as follows:

Business-type activities net assets as previously reported	\$ 7,041,435
Individual fund level prior period adjustments discussed below	<u>(77,738)</u>
Business-type activities net assets as restated	<u><u>\$ 6,963,697</u></u>

The City has determined that a restatement of the Water Fund and Solid Waste Collection Fund net assets is needed to reflect corrections to the ending accounts receivable balances as of December 31, 2007. The restatement within the Water Fund properly decreased accounts receivable by \$51,586 for a resulting decrease in net assets of the same amount. The restatement within the Solid Waste Collection Fund decreased accounts receivable by \$26,152 for a resulting decrease in net assets of the same amount.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TYBEE ISLAND, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Actuarial Accrued Liability as a Percentage of Covered Payroll
05/01/04	\$ 2,118,882	\$ 2,700,665	\$ 581,783	78.5 %	\$ 1,830,243	31.8 %
05/01/05	2,451,611	3,686,830	1,235,219	66.5	1,924,698	64.2
05/01/06	2,820,445	3,810,009	989,564	74.0	2,109,394	46.9
05/01/07	3,182,033	4,157,135	975,102	76.5	2,006,483	48.6
05/01/08	3,536,139	4,627,567	1,091,428	76.4	2,411,627	45.3

CITY OF TYBEE ISLAND, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS (1998 RESOLUTION)**

FOR THE SIX MONTHS ENDED JUNE 30, 2008

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Drainage	\$ 3,616,428	\$ 1,250,000			
Inlet Avenue			\$ 174,537	\$ -	\$ 174,537
Lullwater Court			11,747	-	11,747
1st Street			20,683	-	20,683
Storm Drainage Studies			120,721	-	120,721
6th St., 7th St. and Butler Ave.			466,738	1,725	468,463
Solomon Avenue and Van Horne St.			115,603	-	115,603
Beach Side Streets			13,122	-	13,122
14th & 15th St. Parking Lots			69,140	-	69,140
12th Avenue			29,565	-	29,565
2nd & 13th-14th Street			121,079	33,500	154,579
Other Drainage Projects					
Beach Renourishment	-	1,000,000	1,060,614	-	1,060,614
Debt service - beach renourishment			109,382	-	109,382
Water and Sewer	-	625,000			
Elevated Water Tank			76,431	-	76,431
Debt service - Elevated Water Tank			545,761	-	545,761
Public Safety					
Fire Engine	160,000	160,000	160,000	-	160,000
Fire Department Equipment	66,000	66,000	57,209	-	57,209
Miscellaneous Projects	80,000	425,000			
Paving Oceanview Court, Jones Street and Center Street			42,453	-	42,453
Paving Project PR8531-56			33,740	-	33,740
Paving Captains Row and Maintenance Yard			46,120	-	46,120
Dune Crossover Refurbishment			324,504	-	324,504
	<u>\$ 3,922,428</u>	<u>\$ 3,526,000</u>	<u>\$ 3,599,149</u>	<u>\$ 35,225</u>	<u>\$ 3,634,374</u>

CITY OF TYBEE ISLAND, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS (2003 RESOLUTION)**

FOR THE SIX MONTHS ENDED JUNE 30, 2008

Project	Estimated Cost		Expenditures		Cumulative Total
	Original	Current	Prior Years	Current Year	
Drainage					
Drainage reconstruction/maintenance	\$ 200,000	\$ -	\$ 559	\$ -	\$ 559
Jones Avenue	350,000	-	-	-	-
North Beach Area	200,000	-	-	-	-
Water and Sewer					
Butler Avenue Water Line	817,000	1,616,040	2,130,273	-	2,130,273
Beach Side of Butler Water Line Imp.	575,000	-	-	-	-
Water Line Looping	224,040	-	15,460	-	15,460
Replacement of 6" AC Water Line, Jones Avenue	168,960	-	-	-	-
Fort Screven Water Lines Replacement, Lift Station Upgrades, I&I Continuation	440,000	1,000,667	76,606	5,916	82,522
Roads					
Various Improvements	250,000	250,000	-	-	-
Other					
Bike Paths	100,000	-	3,200	-	3,200
Police Facility	500,000	50,000	14,230	18,771	33,001
Beach Renourishment	1,000,000	1,000,000	-	1,000,000	1,000,000
Old Fort Theater, Guardhouse	600,000	700,000	766,249	-	766,249
Playground Equipment	200,000	200,000	196,559	-	196,559
Marine Rescue Squadron Facility	100,000	75,000	71,165	-	71,165
Other Capital (CIP)	100,000	100,000	-	-	-
Fire Department Equipment	-	345,000	-	163,310	163,310
South Beach Business District	-	500,000	13,668	750,713	764,381
Marine Science Center	600,000	600,000	-	-	-
	<u>\$ 6,425,000</u>	<u>\$ 6,436,707</u>	<u>\$ 3,287,969</u>	<u>\$ 1,938,710</u>	<u>\$ 5,226,679</u>

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Honorable Mayor and Members
Of City Council
City of Tybee Island
Tybee Island, Georgia**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tybee Island, Georgia, as of and for the six months ended June 30, 2008, which collectively comprise the City of Tybee Island, Georgia's basic financial statements and have issued our report thereon dated June 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tybee Island, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tybee Island, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tybee Island, Georgia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008 - 1 through 2008 - 8 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008 - 1 through 2008 - 7 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tybee Island, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the following paragraph.

Compliance with bond covenant – For the six months ended June 30, 2008, the City was in violation of the rate covenant contained in the 2005 Water and Sewer Revenue Bond Ordinance. The Bond Ordinance states that the City is to provide net revenues which are at least 1.15 times the amount required to be paid into the debt service account in the then current sinking fund year.

We also noted certain matters that we reported to management of the City of Tybee Island, Georgia in a separate letter dated June 25, 2009.

The City of Tybee Island, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Tybee Island, Georgia's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Council, others within the City, and the Georgia Department of Audits and Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Macon, Georgia
June 25, 2009

Mauldin & Jenkins, LLC

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE SIX MONTHS ENDED JUNE 30, 2008

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting: Material weaknesses identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2008 due to the total amount expended being less than \$500,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2008 - 1. Taxes Receivable

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Condition: The City did not appropriately record the ending property taxes receivable in the General Fund as of June 30, 2008.

Context: We addressed this matter with the City and they were able to determine the appropriate property taxes receivable that should be recorded as of June 30, 2008.

Effect: An audit adjustment to increase property taxes receivable in the amount of \$532,181, increase property tax revenue in the amount of \$141,299, increase allowance for bad debt in the amount of \$29,732, increase deferred revenue in the amount of \$94,771, and decrease accounts receivable in the amount of \$266,379 was required to be recorded within the General Fund as of June 30, 2008.

Recommendation: We recommend the City begin recording all necessary tax adjustments at the end of each financial reporting cycle.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE SIX MONTHS ENDED JUNE 30, 2008

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2008 - 1. Taxes Receivable (Continued)

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will begin recording all necessary tax adjustments as appropriate in future periods.

2008 - 2. Accounts Receivable

Criteria: Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures of the current period.

Condition: The City did not properly reconcile its general ledger and subsidiary listings on a monthly basis, and did not record various year end accounts receivable in the City's Funds during the six months ended June 30, 2008.

Context: We addressed the matter with the City and they were able to determine the appropriate receivables that should be recorded as of June 30, 2008.

Effect: An audit adjustment to decrease franchise revenue and decrease accounts receivable in the amount of \$24,950 was required to be reported within the General Fund as of June 30, 2008. An audit adjustment to decrease revenue and decrease intergovernmental receivable and the amount of \$291,385 was required to be reported within the SPLOST Fund as of June 30, 2008. An audit adjustment to increase cash and interest income in the amount of \$8,769 and decrease revenue and accounts receivable in the amount of \$87,666 was required to be reported within the Water and Sewer Fund as of June 30, 2008. In addition, a prior period adjustment was required to decrease retained earnings and accounts receivable in the amount of \$51,586 within the Water and Sewer Fund as of June 30, 2008. An audit adjustment to decrease revenue and accounts receivable in the amount of \$633 was required to be reported within the Solid Waste Fund as of June 30, 2008. In addition, a prior period adjustment was required to decrease revenue and retained earnings in the amount of \$26,152 within the Solid Waste Fund as of June 30, 2008.

Recommendation: We recommend the City begin recording all necessary accounts receivable adjustments at the end of each financial reporting cycle.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will begin recording all necessary accounts receivable adjustments at the end of each reporting cycle.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE SIX MONTHS ENDED JUNE 30, 2008

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2008 - 3. Maintenance of Equity/Fund Balance Accounts

Criteria: Generally accepted accounting principles generally require only the closing out of income and expense and any prior period adjustments be recorded within equity and fund balance accounts.

Condition: The City did not properly post all prior year adjusting journal entries, thereby creating a difference in beginning fund balance as compared to the prior year in the General Fund.

Context: See above condition.

Effect: An audit adjustment to decrease revenue and increase fund balance in the amount of \$552,062 was required to be reported within the General Fund as of June 30, 2008.

Recommendation: We recommend the City review all fund balance activity and reconcile fund balance to the prior year financial statements.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will review all fund balance activity and reconcile fund balance to the prior year financial statements.

2008 - 4. Management of Capital Asset Accounts

Criteria: Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost, which is written off periodically, or depreciated, in a systematic and rational manner. Assets donated by outside parties should also be reported, but at the estimated fair value on the date of the donation.

Condition: The City did not properly record construction in progress in the Water and Sewer Fund during the six months ended June 30, 2008.

Context: See above condition.

Effect: An audit adjustment to increase construction in progress and decrease waste water treatment expense in the amount of \$47,615 was required to be reported within the Water and Sewer Fund as of June 30, 2008.

Recommendation: We recommend the City review all capital asset activity and capitalize assets based on the City's capitalization policy and in accordance with generally accepted accounting principles.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE SIX MONTHS ENDED JUNE 30, 2008

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2008 - 4. Management of Capital Asset Accounts (Continued)

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will review all capital asset activity and properly record items based on our capitalization policy and in accordance with generally accepted accounting principles.

2008 - 5. Management of Accounts Payable and Accrued Liabilities

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The City did not appropriately address the above criteria as it relates to accounts payable and accrued expenditures/expense items that existed as of June 30, 2008 within the General Fund, the E911 Fund, the Water and Sewer Fund, and the River's End RV Park Fund.

Context: We addressed this matter with City officials and they were able to determine the amount of accounts payable that should be recorded as of June 30, 2008.

Effect: An audit adjustment to increase retirement expense in the amount of \$36,029, increase accrued expenditures in the amount of \$21,329, and decrease pooled cash in the amount of \$14,700 was required to be reported within the General Fund as of June 30, 2008. An audit adjustment to increase prepaid expense in the amount of \$411, increase accounts payable in the amount of \$379, increase accrued expenditures in the amount of \$1,589, and increase various expense accounts in the amount of \$1,557 was required to be recorded within the E911 Fund as of June 30, 2008. An audit adjustment to increase pooled cash in the amount of \$6,550, increase accrued expenses in the amount of \$6,155, and decrease retirement expense in the amount of \$395 was required to be recorded in the Water and Sewer Fund as of June 30, 2008. An audit adjustment to increase accounts payable in the amount of \$36,970, increase accrued expenses in the amount of \$7,701, increase capital improvements in the amount of \$35,852, increase pooled cash in the amount of \$7,205, and increase various expense accounts in the amount of \$1,614 was required to be recorded in the River's End RV Park Fund as of June 30, 2008.

Recommendation: We recommend the City begin recognizing and recording accounts payable as required, and record the necessary adjustments to reflect the accounts payable balances at the conclusion of each financial reporting cycle.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to improve our accounts payable reconciliation process in future years for year end and month end reporting purposes.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE SIX MONTHS ENDED JUNE 30, 2008

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2008 - 6. Management of Prepaid Assets

Criteria: Generally accepted accounting principles require that significant amounts of prepaid items on hand at year end be reported as an asset.

Condition: The City did not properly record prepaid expense and expenditure transactions based on the above criteria as of June 30, 2008

Context: See above condition.

Effect: An audit adjustment to decrease prepaid insurance in the amount of \$25,914, decrease workers' compensation expense in the amount of \$15,104, increase insurance expense in the amount of \$14,074, and increase due from water and sewer fund in the amount of \$26,944 was required to be reported within the General Fund as of June 30, 2008. An audit adjustment to increase prepaid insurance in the amount of \$35,681, decrease insurance expense in the amount of \$8,737, and increase due to general fund in the amount of \$26,944 was required to be reported within the Water and Sewer Fund as of June 30, 2008.

Recommendation: We recommend the City record all prepaid items based on the above criteria.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will record all prepaid items based on the above criteria.

2008 - 7. Management of Due to / From (Internal) Accounts and Pooled Cash Accounts

Criteria: Generally accepted accounting principles require consideration of the collectability of receivables of all kinds whether external or internal to the City. As part of that process, the City should review the amounts (interfund receivables and payables) in each fund to determine if amounts should instead be treated as operating transfers in/out during any given fiscal year. Also, controls should be in place to ensure that expenditures from pooled cash accounts within individual funds does not exceed each applicable fund's share of the pooled cash.

Condition: The City's unadjusted trial balance reported significant amounts of overstated and understated pooled cash for the General Fund, the SPLOST Fund, the Water and Sewer Fund, the Solid Waste Fund, the River's End RV Park Fund, and the Municipal Court Fund. Adjustments were necessary to properly state the individual funds share of the pooled cash via adjustments to due to due from accounts and transfers.

Context: See above condition.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE SIX MONTHS ENDED JUNE 30, 2008

2008 - 7. Management of Due to / From (Internal) Accounts and Pooled Cash Accounts (Continued)

Effect: An audit adjustment to increase cash in the amount of \$372,142, decrease pooled cash in the amount of \$614,435, decrease due from the Municipal Court Fund in the amount of \$101,992, increase transfer to the Solid Waste Fund in the amount of \$187,000, increase transfer to E911 Fund in the amount of \$6,888, increase due from River's End RV Park Fund in the amount of \$140,964, increase due to SPLOST Fund in the amount of \$3,873, increase transfer to River's End RV Park Fund in the amount of \$3,437, increase revenue in the amount of \$6,994 and increase various expense accounts in the amount of \$16,864 was required to be reported within the General Fund as of June 30, 2008. An audit adjustment to increase due from the General Fund and decrease cash in the amount of \$3,873 was required to be reported within the SPLOST Fund as of June 30, 2008. An audit adjustment to increase pooled cash in the amount of \$16,024, increase various expense accounts in the amount of \$13,823, and decrease accounts receivable in the amount of \$29,848 was required to be reported within the Water and Sewer Fund as of June 30, 2008. An audit adjustment to increase pooled cash and increase transfer from the General Fund in the amount of \$187,000 was required to be reported within the Solid Waste Fund as of June 30, 2008. An audit adjustment to increase pooled cash in the amount of \$140,964, increase due to the General Fund in the amount of \$140,964, increase transfer from the General Fund and increase various expense accounts in the amount of \$3,437 was required to be reported within the River's End RV Park Fund as of June 30, 2008. An audit adjustment to decrease due to others in the amount of \$203,984 and decrease pooled cash and decrease transfer to the General Fund in the amount of \$101,992 was required to be reported within the Municipal Court Fund as of June 30, 2008.

Recommendation: We recommend the City review all pooled cash accounts, interfund receivables and payables on a quarterly basis and consider the need for settlement between funds at that time via transfers in/out by the respective funds. We also recommend that all interfund activity be properly recorded through the due to / from accounts as appropriate.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. Regular reviews will be made to accurately report pooled cash and interfund balances.

2008 - 8. Debt Transactions

Criteria: Proprietary funds use the economic resources measurement focus, which requires those funds to report all assets and liabilities, including long-term debt.

Condition: The City did not properly record the debt activity of the Water and Sewer Fund during the six months ended June 30, 2008.

Context: See above condition.

CITY OF TYBEE ISLAND, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE SIX MONTHS ENDED JUNE 30, 2008

2008 - 8. Debt Transactions (Continued)

Effect: An audit adjustment to increase amortization of bond issuance costs in the amount of \$3,676, increase amortization expense in the amount of \$10,913, and decrease deferred loss on refunding in the amount of \$7,237 was required to be recorded by the Water and Sewer Fund as of June 30, 2008.

Recommendation: We recommend the City record all debt transactions appropriately as they occur during the year.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will begin recording all debt transactions appropriately as they occur during the year.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

CITY OF TYBEE ISLAND, GEORGIA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE SIX MONTHS ENDED JUNE 30, 2008

STATUS OF PRIOR YEAR AUDIT FINDINGS

2007 - 1. Taxes Receivable

For the year ending December 31, 2007, we noted the City did not appropriately record the year end property taxes receivable and hotel/motel taxes receivable in the General Fund and Hotel/Motel Tax Fund.

Status: Unresolved. See finding 2008 - 1.

2007 - 2. Accounts Receivable

For the year ending December 31, 2007, we noted the City did not appropriately reconcile its general ledger and subsidiary listings on a monthly basis, and did not record various year end accounts receivable in the City's Funds.

Status: Unresolved. See finding 2008 - 2.

2007 - 3. Debt Transactions

For the year ending December 31, 2007, we noted the City did not properly record the debt activity of the Rivers End RV Park Fund.

Status: The above finding was corrected for the six months ended June 30, 2008.

2007 - 4. Management of Capital Asset Accounts

For the year ending December 31, 2007, we noted the City did not properly capitalize purchased assets in the Water and Sewer Fund and the Rivers End RV Park Fund.

Status: The above finding was not completely corrected for the six months ended June 30, 2008. See finding 2008-4.

2007 - 5. Management of Accounts Payable and Accrued Liabilities

For the year ending December 31, 2007, we noted the City did not properly report accounts payable liabilities as required under generally accepted accounting principles.

Status: The above finding was not completely corrected for the six months ended June 30, 2008. See finding 2008 - 5.

CITY OF TYBEE ISLAND, GEORGIA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE SIX MONTHS ENDED JUNE 30, 2008

STATUS OF PRIOR YEAR AUDIT FINDINGS (Continued)

2007 - 6. Management of Due to / From (Internal) Accounts

For the year ending December 31, 2007, we noted the City did not properly record the due to/from accounts in the General Fund and the E911 Fund.

Status: The above finding was not completely corrected for the six months ended June 30, 2008. See finding 2008 - 7.

**INDEPENDENT ACCOUNTANT'S REPORT
ON LOCAL ASSISTANCE GRANTS**

**Honorable Mayor and Members
Of City Council
City of Tybee Island
Tybee Island, Georgia**

We have examined management's assertion included in the accompanying State of Georgia Grant Certification Form about the City of Tybee Island, Georgia's compliance during the six months ended June 30, 2008 with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for Local Assistance Grants #01-C-L-806 and #07-C-L-12. Management is responsible for the City of Tybee Island, Georgia's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about the City of Tybee Island, Georgia's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the City of Tybee Island, Georgia's compliance with the above mentioned requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Tybee Island, Georgia's compliance with the specified requirement.

In our opinion, management's assertion that the City of Tybee Island, Georgia complied with the aforementioned requirement for the six months ended June 30, 2008 is fairly stated, in all material respects.

This report is intended solely for the information and use of the City of Tybee Island, Georgia City Council and the Georgia Department of Audits and Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
June 25, 2009

**State of Georgia Grant Certification Form
Local Government Recipient (with no subrecipient)**

LINE

A	Local Government	City of Tybee Island, Georgia
B	State Awarding Agency	Department of Community Affairs State of Georgia
C	Grant Identification Number	01-C-L-806
D	Grant Title	Snow Fence
E	Grant Award Date	02/26/01
F	Grant Amount	\$50,000.00

	COLUMN 1 Current Year Activity	COLUMN 2 Cumulative Grant Activity
	For the Year Ended: June 30, 2008	Through the Year Ended: June 30, 2008
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	
	\$38,168.00	
I	Grant Receipts or Revenue Recognized	\$50,000.00
	\$0.00	
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES	\$11,832.00
	\$0.00	
K	Disbursements or Expenditures for Audit Fees	\$0.00
	\$0.00	
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K]	\$38,168.00
	\$38,168.00	\$38,168.00

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose for which the grant was made.

Signature of Chief Elected Official _____ Date _____

Signature of Chief Financial Officer _____ Date _____

**State of Georgia Grant Certification Form
Local Government Recipient (with no subrecipient)**

LINE

- A Local Government
- B State Awarding Agency
- C Grant Identification Number
- D Grant Title
- E Grant Award Date
- F Grant Amount

City of Tybee Island, Georgia
Department of Community Affairs State of Georgia
07-C-L-12
Aesthetic Improvements on Main Street
10/26/06
\$40,000.00

	<u>COLUMN 1</u> Current Year Activity	<u>COLUMN 2</u> Cumulative Grant Activity
	For the Year Ended: June 30, 2008	Through the Year Ended: June 30, 2008
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue) \$20,027.50	
I	Grant Receipts or Revenue Recognized \$0.00	\$40,000.00
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES \$0.00	\$19,972.50
K	Disbursements or Expenditures for Audit Fees \$0.00	\$0.00
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K] \$20,027.50	\$20,027.50

Certification of Local Government Officials

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose for which the grant was made.

Signature of Chief Elected Official _____ Date _____

Signature of Chief Financial Officer _____ Date _____